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JUN 22 12 22 PM '79

RECORDATION NO.

10532

Filed 1425

LOS ANGELES

MIAMI

PARIS

ASSOCIATED OFFICE

JUN 22 1979 - 12 30 PM

INTERSTATE COMMERCE COMMISSION

HOWARD L. MEYERS
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I. C. C.

FREE OPERATION BR.

RECORDATION NO. 10532B Filed 1425

JUN 22 1979 - 12 30 PM

June 22, 1979

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 10532B Filed 1425

JUN 22 1979 - 12 30 PM

Interstate Commerce Commission
WASHINGTON, D.C.

9-173A030

JUN 22 1979

RECORDATION NO. 10532B Filed 1425

156.00

JUN 22 1979 - 12 30 PM

INTERSTATE COMMERCE COMMISSION

Re: One Hundred and Ten 70-Ton General Purpose
Boxcars (NSL 155582 through 155609, inclusive,
PT 205050 through PT 205131)

Gentlemen:

Enclosed herewith for filing are the following
documents and instruments in connection with the financing
of the above-referenced railroad rolling stock:

1. Participation Agreement, dated as of June 21, 1979, among National Railway Utilization Corporation ("NRUC") and Pickens Railroad Company ("Pickens") (collectively the "Lessee"), Heleasco Twelve, Inc. ("Heleasco"), Jefferson Standard Life Insurance Company ("JSL"), and Provident National Bank, as Agent (the "Agent");
2. Lease of Railroad Equipment, dated as of June 21, 1979, between Lessee, as lessee, and Heleasco, as lessor;
3. Lease Assignment, dated as of June 21, 1979, between Heleasco and the Agent; and
4. Security Agreement, dated as of June 21, 1979, between Heleasco, as debtor, and the Agent, as secured party.

The railroad rolling stock covered by the foregoing agreements are 50'6", 70-ton, Plate "C", rigid underframe boxcars with 10' sliding doors, Type XM.

MORGAN, LEWIS & BOCKIUS

Interstate Commerce Commission

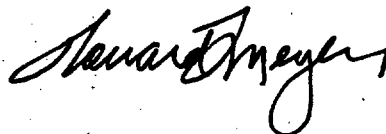
June 22, 1979

Page Two

The filing fee for the above transaction accompanies this letter of transmittal.

Kindly acknowledge your receipt of the enclosed documents and the filing fee by affixing your customary stamp to a copy of this letter and returning it to the undersigned.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Howard Meyer", is written over the typed name.

HLM:smo

Enclosures

The within Lease and all lease rentals and certain other payments derived therefrom are subject to a security interest in favor of an agent for a certain lender under a certain Security Agreement dated as of the date hereof. This Lease has been executed in several counterparts of which this is Counterpart No. 2. To the extent that this Lease constitutes "chattel paper" or other collateral within the meaning of the Uniform Commercial Code in effect in any jurisdiction, only the counterpart stamped or marked "Counterpart Number 1" shall constitute such chattel paper or other collateral.

COUNTERPART NO. 2

LEASE OF RAILROAD EQUIPMENT

10532-A
RECORDATION NO. Filed 1425

Dated as of June 21, 1979

JUN 22 1979 - 12 32 PM

INTERSTATE COMMERCE COMMISSION

between

HELEASCO TWELVE , INC.
as Lessor,

and

PICKENS RAILROAD COMPANY
and
NATIONAL RAILWAY UTILIZATION CORPORATION,
as Lessee

LEASE NO. Y179-1290.2

Filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on , 1979, recordation number , and deposited in the Office of the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada on June , 1979.

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT
dated as of June 21, 1979, between
HELEASCO TWELVE, INC., a Delaware corporation (the "Lessor")
AND
PICKENS RAILROAD COMPANY, a South Carolina corporation,
AND
NATIONAL RAILWAY UTILIZATION CORPORATION, a South Carolina corporation,
(collectively, the "Lessee")

WHEREAS, National Railway Utilization Corporation ("NRUC") is a party to a certain Purchase Agreement dated as of the date hereof (the "Purchase Agreement") with Evans Transportation Company (Southern Iron and Equipment Company Division) (the "Builder") wherein the Builder has agreed to manufacture, sell and deliver the units of railroad equipment described in Schedule 1 hereto (the "Equipment"); and

WHEREAS, NRUC has assigned its right to purchase the Equipment to Lessor pursuant to a certain Purchase Agreement Assignment (the "Purchase Agreement Assignment") dated as of the date hereof; and

WHEREAS, the Lessor is financing its acquisition of the Equipment with Provident National Bank as agent for Jefferson Standard Life Insurance Company (the "Lender") pursuant to a certain Participation Agreement dated the date hereof (the "Participation Agreement"); and

WHEREAS, the non-recourse promissory note issued by Lessor in connection with the financing of its acquisition of the Equipment evidencing the amount of such financing (said non-recourse promissory note being herein called the "Note" and the amount due under the Note being herein called the "Note Indebtedness"), is secured by the Equipment and this Lease pursuant to a Security Agreement and an assignment of the Lease (the "Lease Assignment") (the Security Agreement and the Lease Assignment being herein called, collectively, the "Security Documents"), Lessee having consented and agreed to such assignment pursuant to a certain consent and agreement dated the date hereof (the "Consent and Agreement"); and

WHEREAS, the Lessee desires to lease from Lessor and Lessor desires to lease to Lessee such number of units of the Equipment as are delivered and accepted under this Lease (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease; the Lessee's obligations hereunder shall be absolute and unconditional, and, except as herein specifically provided in Section 7, the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Documents, or against the Builder, the Lender or any financial institution providing funds to the Lessor for the purpose of financing or refinancing the Units or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, any prohibition or restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the Lease or any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Lender for any reason whatsoever.

§ 2. Delivery and Acceptance. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Purchase Agreement, such appointment, however, to be subject to revocation and substitution by the Lessor by written notice delivered to the Builder and the Lessee. The Lessor will cause the Units to be delivered to the Lessee at the point within the United States of America at which the Units are delivered to the Lessor under the Purchase Agreement. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect each Unit, and, if such Unit is found to be acceptable, shall accept delivery of such Unit and the Lessee shall execute and deliver to the Lessor a certificate of inspection and acceptance (the "Certificate of Inspection and Acceptance") in accordance with the provisions of Section 3 of the Purchase Agreement, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Inspection and Acceptance and is marked in accordance with § 5 hereof, whereupon, subject to satisfaction of the conditions contained in Section 4 of the Participation Agree-

ment, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

§ 3.1. Basic Rent. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease one interim payment and 60 consecutive quarterly payments payable in arrears. The interim payment for each such Unit is payable on July 1, 1979, and shall be in an amount equal to the product of the Purchase Price (as defined in the Purchase Agreement) for such Unit multiplied by .031627% for each day elapsed from and including the Closing Date (as defined in the Participation Agreement) for such Unit to, but not including, July 1, 1979. The 60 quarterly payments are payable on January 1, April 1, July 1 and October 1 in each year, commencing October 1, 1979, to and including July 1, 1994. Each such quarterly payment shall be in an amount equal to 2.8464% of the Purchase Price of each such Unit then subject to this Lease. The interim payment and the quarterly payments hereinbefore described are hereinafter referred to as the "Basic Rent". The date on which each payment of Basic Rent is due as aforesaid is herein referred to as the "Due Date".

§ 3.2. Rent Payments. If any rental payment date referred to above is not a business day, the rental otherwise payable on such date shall be payable on the next business day. The term "business day", as used herein, means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Philadelphia, Pennsylvania are authorized or obligated to remain closed. The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease (including, but not limited to, the payments provided for in this § 3 and in § 7 hereof), at the principal office of the Lender, for the account of the Lessor in care of the Lender, with instructions to the Lender to apply such payments in accordance with the provisions of the Security Agreement and to pay any balance immediately by wire transfer to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Lender by 11:00 a.m. in the city where such payment is to be made, on the date such payment is due.

§ 3.3. Rent Upon Default. After the occurrence of any event of default under Section 10 hereof and so long as such event of default shall continue and this Lease shall not have been terminated, in addition to the rental for each Unit payable pursuant to the preceding subsection 3.1, the Lessee shall pay to the Lessor on each Due Date a further rental per calendar quarter for each Unit in an amount equal to the excess, if any, of the aggregate of all amounts, including mileage, receivable by the Lessee for each Unit from others in respect of the calendar quarter preceding such due date over the total rental payable for each Unit pursuant to subsection 3.1 for such quarter.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder, and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on July 1, 1994, the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Lender under the Security Documents. If an event of default should occur under the Security Documents, the Lender may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and Agreement and (iii) the Lender is entitled to apply the "income and proceeds from the Equipment" (as defined in the Security Agreement) in accordance with the Security Documents, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under § 12 hereof.

§ 5. Identification Marks. The Lessee, at its own expense, will cause each Unit to be kept numbered with the road number set forth in Schedule 1 hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words:

"TITLE TO THIS CAR IS SUBJECT TO DOCUMENTS
RECORDED WITH THE INTERSTATE COMMERCE COM-
MISSION."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title to and interest in, and Lender's interest in, such Unit and the rights of the Lessor under this Lease and the rights of the Lender under the Security Documents. The Lessee will not place or permit any such Unit to be placed in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced or destroyed. The Lessee will not change or permit to be changed the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lender and the Lessor and duly filed, recorded and deposited by the Lessee in all offices where the Lease and the Security Documents shall have been filed and (ii) the Lessee shall have furnished the Lender and the Lessor an opinion of counsel to such effect and that no other filings are necessary to protect Lessor's and Lender's rights in and to such Units in the United States. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

Except as provided in the preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax, and other than the aggregate of all state or local taxes measured by net income based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be payable to the state and locality in which the Lessor has its principal place of business without apportionment to any other state and other than the amount of such excess state and local taxes to the extent that they reduce any other taxes payable by the Lessor and other than any state franchise tax which is not based on or measured by net income, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Documents, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions (other than under the Security Agreement) which might in any way affect the title of the Lessor or the interest of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as such imposition remains unpaid and the Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such impositions, or the Lessor is required to contest such impositions as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Lessor or the Lender under the Security Documents. The Lessee agrees to give the Lessor notice of such contest brought in the Lessee's name within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall pay the Lessor on presentation of an invoice therefor if the Lessor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Lessor) or the Lessee shall have approved the payment thereof, and

the Lessor agrees to give the Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such imposition, as hereinafter provided in this § 6.

Lessee agrees to and does hereby indemnify Lender with respect to impositions to the same extent as Lessor is indemnified under this Section 6. Accordingly, the term "Lessor", as used in this Section 6, shall be read as "Lessor and/or Lender" as is appropriate in the context in which it is used.

In the event any returns, statements or reports with respect to impositions involving any Unit are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Lender in such Units, as shall be satisfactory to them or, where not so permitted, will notify the Lessor and the Lender of such requirement and will prepare and deliver such reports to them within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to them; provided, however, that the Lessor shall, with respect to any state of the United States of America or political subdivision thereof, file required returns, statements and reports relating to sales or use taxes, and taxes, fees, and charges on or measured by Lessor's earnings or gross receipts arising from the Units, or the value added by the Lessor thereto as the Lessee shall determine are required to be filed, and as shall be prepared by the Lessee, and the Lessor shall remit the amount thereof upon payment by the Lessee to the Lessor (such payment to be made forthwith upon demand by the Lessor therefor) of such taxes, fees and charges except as provided above. All costs and expenses (including legal and accounting fees) of preparing such returns or reports shall be borne by the Lessee. To the extent that the Lessor has information necessary to the preparation of such returns, statements and reports, it will furnish such information to the Lessee.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

In the event the Lessee may be prohibited by law or is impaired from contesting in its own name any imposition covered by this § 6 in respect of which the Lessee would otherwise be required to make payments to the Lessor pursuant hereto, the Lessor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such imposition. The Lessor shall not be obligated to take any such action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein. The Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action taken by the Lessor or Lessee

under this § 6. The Lessee shall be entitled to any refund received by the Lessor or the Lessee in respect of any imposition paid by the Lessee, provided no Event of Default (or other event which, after notice or lapse of time or both, would become an Event of Default) shall have occurred and be continuing.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

The amount which the Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the Lessor to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the Lessor would have been in had such imposition not been imposed.

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at the Lessee's own cost and expense, it will maintain and keep, or cause to be maintained and kept, all of the Units which are subject to this Lease in good operating order, repair and condition, eligible for interchange service, and in compliance with the requirements of any governmental authority having jurisdiction thereof.

In the event that any Unit shall be or become lost, stolen, destroyed, or, in Lessee's reasonable determination, worn out, irreparably damaged or rendered permanently unfit for use, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government for a stated period not to exceed the remaining term of the Lease (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Lender with respect thereto. Lessee shall also notify Lessor and Lender of any requisition for use by the United States Government which is not a Casualty Occurrence, i.e. for a stated period not exceeding the remaining term of the Lease. On the rental payment date next succeeding such notice, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit and the Lessee shall pay all costs of removal of such Unit and of freight to the place designated by Lessee for the disposal of the Unit as hereinafter set forth and any storage costs incurred until such disposal.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the percentage of the Purchase Price of such Unit set forth in Schedule 2 hereto applicable to such payment date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease at the expiration of the original or extended term thereof and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 25% of the Purchase Price of such Unit (unless such termination occurs after the term of this Lease has been extended pursuant to § 13 hereof, in which case the amount of such Casualty Value shall be as agreed upon between the Lessor and the Lessee at the time of such extension). Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence by reason of its being worn out, destroyed, irreparably damaged, or rendered permanently unfit for use under this Lease, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, has made any payments required by § 6 hereof and no Event of Default or event which, after notice or lapse of time or both, would have become an Event of Default shall have occurred and be continuing, the Lessee shall be entitled to a fee of ten percent (10%) of the proceeds of such sale and, in addition thereto, to the balance of the proceeds of such sale, after reimbursement to Lessor of its expenses incurred in connection with such sale, to the extent such proceeds do not exceed the Casualty Value of such Unit previously paid by Lessee; any excess shall be paid to the Lessor.

In the event of the requisition for use by the United States Government (the "Government") of any Unit during the term of this Lease or any renewal thereof which is not a Casualty Occurrence, all of the Lessee's obligations under this Lease with respect to such Unit, including, without limitation, the obligation to make rental payments as provided in § 3 hereof, shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or § 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall, in all other respects, comply with the provisions of said § 11 or § 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which, after notice or lapse of time or both, would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

Subject to the following paragraph, the Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained all-risk, physical loss and damage insurance in respect of the Units in an amount at least equal to the Casualty Value of such Units at the time subject hereto, and public liability insurance in amounts (but not less than \$3,000,000 per accident) and against risks customarily insured against by others in the Lessee's industry in respect of similar equipment. All such insurance shall be in such form and written by such companies as may be reasonably acceptable to the Lessor and Lender. All policies evidencing such insurance shall contain an agreement by the insurers that such policies shall not be cancelled or the amount of coverage thereof or persons covered thereunder adversely changed without at least 30 days' prior written notice to the Lessor and the Lender by the insurers or the insurers' authorized representative, as the case may be. All policies shall name as additional assureds (as their interests may appear) and as sole loss payees (in the case of all-risk physical loss and damage insurance in respect to the Units), the Lessor and Lender, so long as the indebtedness, if any, evidenced by the Security Documents shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit and provided that no Event of Default (or other event which, after notice or lapse of time or both, would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired, and provided that no Event of Default (or other event which, after notice or lapse of time or both, would become an Event of Default) shall have occurred and be continuing.

Anything to the contrary contained in the foregoing paragraph notwithstanding, the Lessee shall have the right to assume the risk of loss or damage to the Equipment which would otherwise have been covered under the all-risk physical loss and damage insurance otherwise required under the preceding paragraph

(but not the risks covered by public liability insurance or other risks customarily insured against by others in Lessee's industry) so long as Lessee's net worth shall be at least \$6,000,000 and during any twelve-month period Lessee shall not have incurred a cash loss of earnings (net loss less non-cash items such as depreciation included in the computation of such net loss) in excess of \$1,000,000, such computations to be made in accordance with generally accepted accounting principles consistently applied. It is further agreed, if subsequent hereto any financial institutions financing Lessee's or any lessor's acquisitions of railroad equipment to be leased to Lessee does not permit Lessee to similarly assume risk of loss or damage as provided in the preceding sentence, then Lessee agrees that it will give notice thereof to Lessor and Lender and, if requested by Lessor or Lender, will provide Lessor and Lender the same insurance coverage as it provides to such financial institution and lessor, if any.

§ 8. Reports and Inspection. On or before March 31 in each year, commencing with the calendar year 1980, the Lessee will furnish to the Lessor and the Lender (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Documents, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Lender may reasonably request, (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Security Documents have been preserved or replaced and (iii) setting forth a description of the insurance in effect with respect to the Equipment pursuant to § 7 hereof, and (b) a certification of insurance coverage from the Lessee's independent broker stating the amounts of such insurance in effect. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease. The Lessee shall promptly notify the Lessor and the Lender of any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

The Lessee shall furnish to the Lessor and Lender the reports required to be furnished to the Lessor pursuant to Exhibit A attached hereto.

§ 9.1 Disclaimer of Warranties; Compliance With Laws and Rules.
THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY,

EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNITS, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Sections 6 and 7 of the Purchase Agreement; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. Neither the Lessor nor the Lender shall have any responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Inspection and Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Lender, to comply in all respects (including without limitation, with respect to the use, amintenance and operation of each Unit) with all tappable laws of the jurisdictions in which its operations involving the Units may extend, with all rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive administrative or judicial body exercising any power or jurisdiction over the Units and with all applicable interchange rules, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may, upon written notice to the Lessor and Lender, at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Lessor or the Lender, adversely affect the property or rights of the Lessor or the Lender under this Lease or under the Security Documents. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements to the Units during the term of this Lease. Any additions, modifications and improvements made by the Lessee (other than additions, modifications and improvements required to maintain each Unit's eligibility for interchange service or to comply with the provisions of the first paragraph of § 7 or the first sentence

of this paragraph) which are readily removable without causing material damage to the Units shall be owned by the Lessee and, provided Lessee shall repair the damage caused by such removal, may, except if an Event of Default or an event which, with the lapse of time and/or demand, or both, shall constitute an Event of Default, shall have occurred and then be continuing, be removed by the Lessee at any time during the term of this Lease or any renewal thereof and prior to the return thereof to the Lessor pursuant to § 14 hereof.

§ 9.2 Indemnification. The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Lender from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof (except for Lessor's wilfull misconduct or gross negligence) and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of the entering into or the performance of or the occurrence of an Event of Default hereunder or an Event of Default under the Security Documents arising as a result thereof, this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease, or the transfer of title to the Equipment to or by the Lender pursuant to any provision of the Security Documents resulting from a default under this Lease. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease and the return of the Units as provided in § 14 of this Lease; provided, however, that the foregoing indemnification shall not be deemed to operate as a guarantee of the Note Indebtedness or the residual value of any Unit. The amount the Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to the indemnified party sufficient to restore such party to the same position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

The Lessee further agrees to indemnify, protect and hold harmless the Lender and the Builder as thirdparty beneficiaries hereof from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Lender or the Builder because of the use in or about the construction or operation of any of the Units of any article of material specified by the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the Builder of any claim known to the Lessee from which liability may be charged against the Builder under the Purchase Agreement.

The Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur:

(a) default shall be made in payment of any amount provided for in § 3, § 7 or § 13 of this Lease and such default shall continue for five (5) business days, or default shall be made in payment of any other amount provided for in this Lease and such default shall continue for five (5) business days after written notice from the Lessor or the Lender to the Lessee specifying the default and demanding that the same be remedied;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest therein, or of the right to possession of the Units, or any thereof;

(c) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, in the Consent and Agreement, in the Purchase Agreement Assignment, or in the Participation Agreement continuing for thirty (30) days after written notice from the Lessor or the Lender to the Lessee specifying the default and demanding that the same be remedied;

(d) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as hereafter amended, shall be filed by or against the Lessee (or either of them) and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent and Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(e) any other proceedings shall be commenced by or against the Lessee or either of them for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a

law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent and Agreement), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent and Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

(f) any representation or warranty of the Lessee contained herein or in the Participation Agreement shall be, when made, or, if such representation or warranty shall be continuing, shall become inaccurate in any material respect;

(g) if Pickens Railroad Company shall cease to be the wholly-owned subsidiary of National Railway Utilization Corporation without the consent of the Lessor and Lender to such occurrence having been first obtained;

(h) the Lessee shall fail to provide and maintain insurance as and if required under § 7. hereof;

then, in any such case, the Lessor, at its option, may:

(i) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee (or either of them) of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(ii) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee (and each of them) to the use of the Units shall terminate as though this Lease had never been made, but the Lessee (and each of them) shall remain liable only as herein provided; and thereupon the Lessor may, by its agents, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, sell, operate, lease to others and enjoy the same free from any right of the Lessee to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which, under the terms of this Lease, may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as liquidated damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in

its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of 10% per annum discount, compounded quarter-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, provided, however, that in the event that the Lessor shall have rented any Unit, then the reasonably estimated rental with respect to any such rental period shall be equal to that rental actually obtained by Lessor during such rental period; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this clause (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives (i) any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law and (ii) any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Except as otherwise provided in this Lease, the Lessee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take

possession of or to sell or lease the Equipment, or any one or more Units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirement with respect to the enforcement of the Lessor's rights under this Lease and any and all rights of redemption.

§ 11. Return of Units Upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessor may, upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Lessor, take or cause to be taken by its agent or agents, immediate possession of each of the Units, and may remove the same from possession and use of the Lessee or any other person and for such purpose may enter upon the premises of the Lessee or any other premises where the Units may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities of the Lessee, subject to all mandatory requirements of due process of law.

If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor and shall give prompt telegraphic notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit so delivered shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, or such comparable standards as may then be in effect. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall:

(a) forthwith and in the usual manner, place such Units upon such storage tracks of the Lessee or any of its affiliates or any other railroad as the Lessor shall be able to reasonably designate, and Lessee shall be responsible for all additional storage expenses;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective

purchaser, lessee or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day after such termination an amount equal to the amount, if any, by which .031627% of the Purchase Price of such Unit exceeds the actual earnings received by the Lessor on such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Equipment pursuant to the first sentence of this paragraph.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9 and 10 and the rights to receive the rentals payable under this Lease) shall inure, to the extent assigned, to the benefit of the Lessor's assigns (including the Lender); and, if this Lease is assigned to the Lender, the fact that the Lender is specifically named herein in certain provisions shall not be construed as limiting the rights assigned to the Lender pursuant to such assignment.

So long as no Event of Default or event which, after notice or lapse of time or both, would become an Event of Default under the Lease or the Security Documents shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor and the Lender and further provided that any such assignment or transfer shall be expressly subordinate to the rights of Lessor and Lender, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Lender or resulting from claims against the Lessor or Lender not related to the ownership of the Units, the leasing thereof or the Lender's security interest therein) upon or with respect to any Unit or the interest of the Lessor, the Lender or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor and Lender, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph hereof.

So long as no Event of Default or event which, after notice or lapse of time or both, would become an Event of Default under the Lease shall have occurred and be continuing, the Lessee shall be entitled to the possession of the Units and shall also be entitled (i) to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and (ii) to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America; provided, further, however, that Lessee shall not permit more than fifteen (15) percent of the Units to be outside the United States at any time.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder, under the Closing Agreement and under the Consent and Agreement) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, (i) that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease or the Closing Agreement, (ii) such assignee, Lessee or transferee shall be of a character so that after giving effect to such merger, consolidation, lease or acquisition, the ability of the assignee, lessee or transferee to perform the obligations of the Lessee hereunder shall not, in the reasonable opinion of the Lessor and the Lender, be adversely affected, and (iii) that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor and Lender hereunder which shall be and remain those of a principal and not a surety.

§ 13. Renewal Options and Purchase Option. The Lessor intends to retain the Units for re-lease at the expiration of the term of this Lease. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder or under any other agreement with Lessor, the Lessee may, by written notice delivered to the Lessor not less than seven (7) months nor more than nine months prior to the end of the original term or the first extended term of this Lease, elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for a two-year term commencing on the scheduled expiration of the original term or the first extended term of this Lease, as the case may be. Such extension shall be on the same terms and conditions as are contained in this Lease, except as to the amount of rentals, which shall be at a "Fair Market Rental" (as

defined in this § 13) payable quarterly in arrears, and except as to applicable Casualty Values, which shall be as agreed upon between the Lessor and the Lessee at the time of such extension.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than seven months nor more than nine months prior to the end of the original term or any extended term of this Lease, elect to purchase all but not fewer than all of the Units then covered by this Lease at a Fair Market Purchase Price (as defined in this § 13) payable at the end of the then current term of this Lease.

Fair Market Rental and Fair Market Purchase Price shall be determined on the basis of, and shall be equal in amount to, the rental or purchase price, as the case may be which would obtain in an arm's length transaction between an informed and willing lessee (other than a lessee currently in possession) or purchaser and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental. If, after 60 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease or to exercise its purchase option, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or Fair Market Purchase Price of the Units, the same shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination thereof by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental or Fair Market Purchase Price, as the case may be, of the Units within 90 days after his appointment. If, because of their use hereunder or otherwise, any of the Units shall not be available for inspection at reasonably designated times and places, such appraiser shall be authorized and entitled to assume in delivering his report hereunder that such Units are in good condition and that Lessee has fulfilled with respect thereto all of its obligations hereunder. If the parties shall have appointed a single appraiser, the determination of the single appraiser appointed shall be final. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and Fair Market Purchase Price and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

§ 14. Return of Units Upon Expiration of Lease Term. As soon as practicable on or after the termination of the term of this Lease otherwise than pursuant to § 10 hereof (and in any event not later than 90 days after the termination of the term of this Lease), the Lessee will, at its own costs and expense, at the request of the Lessor, cause each Unit to be transported to the point or points listed on Schedule 3 attached hereto as shall be designated by the Lessor at least four (4) months immediately prior to such termination; the assembly, delivery, and transporting of each Unit to be at the expense and risk of the Lessee. The assembling, delivery, and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to cause the assembly, delivery, and transporting of the Units. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, or such comparable standards as may then be in effect. Lessee further agrees, at Lessor's request, to paint over Lessee's markings.

In the event all Units are not returned to Lessor at the termination of the Lease, Lessee shall pay to Lessor the Fair Market Rental for each Unit not so returned for each day from the termination of the Lease to the day such Unit is returned in accordance with the provisions of this Section 14. The amounts to be paid under the preceding sentence shall be due and payable on the first day of each month subsequent to the termination of the Lease, such payments to be made by immediately available funds wire transferred to a Bank designated by Lessor. Lessee shall deliver to Lessor on each date such payments are to be made a statement as to the computation and correctness of such payments.

In the event that all Units are not returned to Lessor within ninety (90) days after the termination of the Lease, Lessor shall be free to exercise all legal and equitable remedies to compel Lessee to return such cars and seek recovery for damages for failure to do so. In addition thereto, and not in lieu thereof, Lessor, by notice to Lessee within twenty (20) days after the expiration of said ninety-day period, may elect (but shall not be required to do so) to treat the Lease as having been extended (i) for those Units not returned in accordance with the provisions of this Section 14 as of the date of such notice or (ii) if less than 80% of the Units under the Lease as of the termination of the Lease have been returned in accordance with the provisions of this Section 14 as of the date of such notice, for all Units under the Lease as of the termination of the Lease, for an additional two-year period commencing upon the scheduled termination of the Lease. Such extension, except as otherwise provided herein, shall be on the same terms and conditions as contained in this Lease except that, unless otherwise agreed by the parties, the applicable Casualty Value shall be the greater of replacement cost or 25% of the Purchase Price of the Unit. For the purposes of this Section 14, the provisions of the last seven sentences

of Section 13 hereof shall be applicable to the determination of Fair Market Rental, except that (i) during the twenty-day period provided for discussions relative to the appointment of an independent qualified appraiser, the parties shall also consult with each other for the purpose of agreeing upon a Fair Market Rental, the appointment of such appraiser to be made only if the parties fail to reach such agreement, (ii) the appraiser, if appointed, shall be instructed to determine the Fair Market Rental within twenty (20) days after his appointment in lieu of the ninety (90) day period provided in Section 13 and (iii) the expenses of the appraisal procedure shall be borne solely by Lessee.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Lease Assignment, the Security Agreement and any assignments hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Security Documents and will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Lender for the purpose of proper protection, to their satisfaction, of the Lender's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the Security Documents and the assignments hereof and thereof to the Lender; and the Lessee will promptly furnish to the Lender and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory in form and substance to the Lender and the Lessor except that such opinion shall not opine as to the effect of any filing in Canada. This Lease and the Security Documents shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall be made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, interest at a rate per annum equal to 15% (or the maximum per annum rate of interest permitted by law, whichever is less) on the overdue rentals and other obligations for the period of time during which they are overdue.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, Suite 203, Springer Building, 3411 Silverside Road, Wilmington, Delaware 19810, attention: President; and

(b) if to the Lessee, at 402 Cedar Rock Street, Pickens,
South Carolina 29671, attention: Vice President-Finance

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such

Provident National Bank, Agent
Corporate Trust Department
17th and Chestnut Streets
Philadelphia, Pennsylvania 19101

and to:

Jefferson Standard Life Insurance
Company
P. O. Box 21008
Greensboro, North Carolina 27420

Attention: Mr. Robert W. Lee
Securities Service Division

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 19. Obligations of Lessee. Pickens Railroad Company and National Railway Utilization Corporation are each jointly and severally liable hereunder to the same extent and purpose as if each were the sole Lessee, and any event of default by either shall not excuse or constitute a defense to performance by the other of all obligations under the Lease.

§ 20. Right of Lessor to Perform. If any event set forth in clauses (c) and (f) of the first paragraph of § 10 hereof occurs, the Lessor may, after the expiration of any notice periods specified therein, observe or perform any such covenants, conditions and agreements of the Lessee, the non-observance or non-performance of which caused such default, in order to cure such default. Lessee hereby agrees that the amount of any payment made in connection therewith and the amount of the reasonable expenses of the Lessor incurred in connection with such observance or performance, together with interest at the rate of 15% per annum (or the maximum per annum rate of interest permitted by law, whichever is less) on such amounts from the time such payment shall be payable by the Lessee upon demand of the Lessor.

§ 21. Successors and Assigns. This Lease will bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto.

§ 22. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Lender pursuant to the Lease Assignment shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgements hereto annexed.

§ 23. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

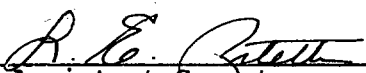
IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

HELEASCO TWELVE, INC.

(Corporate Seal)

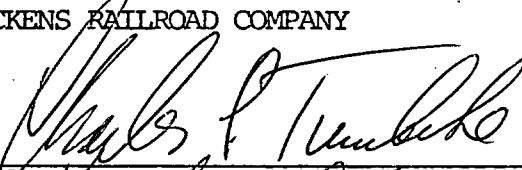
By 
Vice President Attorney-in-Fact

Attest:

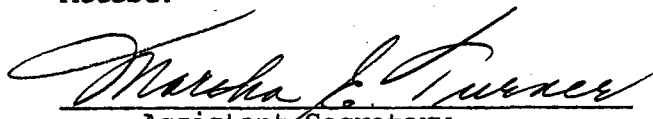

Assistant Secretary

PICKENS RAILROAD COMPANY

(Corporate Seal)

By 
Title Vice President

Attest:



Assistant Secretary

NATIONAL RAILWAY UTILIZATION
CORPORATION

(Corporate Seal)

Attest:

By

Vice President and ~~Treasurer~~
Assistant Secretary

The above Lease and all lease rentals and certain other payments derived therefrom are subject to a security interest in favor of an agent for a certain lender under a certain Security Agreement dated as of the date hereof. This Lease has been executed in several counterparts of which this is Counterpart Number 2. To the extent that this Lease constitutes "chattel paper" or other collateral within the meaning of the Uniform Commercial Code in effect in any jurisdiction, only the counterpart stamped or marked "Counterpart Number 1" shall constitute such chattel paper or other collateral.

COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF *Philadelphia*) ss:

On this *21st* day of *June*, 1979, before me personally appeared *Charles P. Burnburke* to me personally known, who, being by me duly sworn, says that he is *vice President* of NATIONAL RAILWAY UTILIZATION CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Rosita A. Willis
Notary Public

SEAL

My Commission Expires: *6/14/80*

ROSITA A. WILLIS, NOTARY PUBLIC
PHILADELPHIA, PHILADELPHIA COUNTY, PA.
My Commission Expires June 14, 1980

COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF *Philadelphia*) ss:

On this *21st* day of *June*, 1979, before me personally appeared *Charles P. Burnburke* to me personally known, by me duly sworn, says that he is *vice President* of PICKENS RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Rosita A. Willis
Notary Public

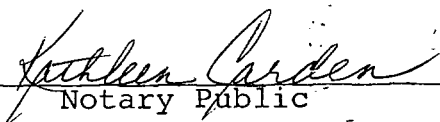
SEAL

My Commission Expires: *6/14/80*

ROSITA A. WILLIS, NOTARY PUBLIC
PHILADELPHIA, PHILADELPHIA COUNTY, PA.
My Commission Expires June 14, 1980

STATE OF PENNSYLVANIA)
) ss:
COUNTY OF PHILADELPHIA)

On this 20th day of June, 1979, before me personally appeared R. Anderson Pew, to me personally known, who, being by me duly sworn says that he is Attorney-in-Fact of HELEASCO TWELVE, INC., that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public

SEAL

My Commission Expires: KATHLEEN CARDEN, NOTARY PUBLIC
PHILA. PHILA. COUNTY, PA.
My Commission Expires April 4, 1981

SCHEDULE 1 TO LEASE

<u>Builder</u>	<u>Description</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>	<u>Unit</u>	<u>Purchase Price Total</u>
Evans Transportation Company (Southern Iron & Equipment Company Division)	50' 6", 70-ton, Plate "C", Rigid Underframe Boxcars with 10' 0" Sliding Doors (Type XM)	110	NSL 155582 through	\$40,600	\$4,466
			NSL 155609		
			PT 205050 through PT 205131		
			TOTAL PURCHASE PRICE		<u>\$4,466</u>

SCHEDULE 2 TO LEASE
CASUALTY VALUES

<u>Rental Payment No.</u>	<u>Percentage of Purchase Price</u>	<u>Rental Payment No.</u>	<u>Percentage of Purchase Price</u>
Interim	112.28	31	78.22
1	109.43	32	77.36
2	111.81	33	76.50
3	113.50	34	73.54
4	114.57	35	72.56
5	115.02	36	71.57
6	113.99	37	70.54
7	114.04	38	67.38
8	114.35	39	66.25
9	114.88	40	65.11
10	113.56	41	63.93
11	113.95	42	60.62
12	114.33	43	59.33
13	107.62	44	58.04
14	106.03	45	56.71
15	106.13	46	53.29
16	106.21	47	51.84
17	106.27	48	50.40
18	104.12	49	48.91
19	104.04	50	45.45
20	103.93	51	43.84
21	96.73	52	42.25
22	94.45	53	40.60
23	94.06	54	37.15
24	93.66	55	35.38
25	93.23	56	33.63
26	90.53	57	31.86
27	89.97	58	28.58
28	89.40	59	26.78
29	81.74	60	25.00
30	79.05		

SCHEDULE 3 TO LEASE
DELIVERY POINTS

Upon the expiration or termination of the Lease, the points or areas in which Lessor may designate a yard or yards to which the Units are to be delivered are as follows:

1. Chicago, Illinois
2. New York, New York
3. St. Louis, Missouri
4. Washington, D. C.
5. Atlanta, Georgia
6. Pittsburgh, Pennsylvania
7. Cleveland, Ohio
8. Kansas City, Kansas/Missouri

Reports

1. Financial Information: The Lessee will deliver or cause to be delivered to the Lessor and to the Lender (i) as soon as available, and in any event within 90 days after the end of the applicable accounting period, copies of the consolidated balance sheet of the Lessee as of the end of its first, second and third quarterly accounting periods in each of its fiscal years and copies of the related consolidated statements of income and retained earnings of the Lessee for the portion of its fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and stating in comparative form the figures for the corresponding date and period in the previous fiscal year, (ii) as soon as available, and in any event within 120 days after the end of each fiscal year, copies, in comparative form with the preceding fiscal year, of the consolidated balance sheet of the Lessee as at the end of such fiscal year, and of the statements of income and retained earnings of the Lessee for such fiscal year, all in reasonable detail and stating in comparative form the consolidated figures as of the end of and for the previous fiscal year, and certified by independent public accountants of recognized national standing, (iii) as soon as available, a copy of each published financial report and, if requested in writing, the Annual Report to the Interstate Commerce Commission which is required to be filed by the Lessee and (iv) with reasonable promptness, such other data and information as from time to time may be reasonably requested.
2. Certificate as to Defaults:
 - a. The Lessee will deliver or cause to be delivered to the Lessor and the Lender (i) as soon as available and in any event within 120 days after the end of each fiscal year, a certificate signed by the President, any Vice President or the senior financial officer of the Lessee stating that a review of the activities of the Lessee during such year has been made under his supervision with a view to determining whether the Lessee has kept, performed and fulfilled all of its obligations under the Lease and that, to the best of his knowledge, the Lessee, during such year, has kept, performed and fulfilled each and every covenant, obligation and condition contained in the Lease, or, if a default shall exist or have existed, specifying such default and the nature and status thereof.
 - b. The Lessee will deliver or cause to be delivered to Lessor and to Lender, promptly upon any responsible officer's becoming aware of any condition which constitutes an Event of Default under the Lease or which, after notice or lapse of time or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this paragraph, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate official of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.